

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In re:

Advanced Television Systems
and Their Impact Upon the
Existing Television Broadcast
Service

87-268
MM Docket 87-268

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Federal Communications Commission
Office of the Secretary

COMMENTS OF FREEDOM NEWSPAPERS, INC.
IN SUPPORT OF PETITIONS FOR RECONSIDERATION

Freedom Newspapers, Inc. ("Freedom") hereby files these comments in support of the petitions for reconsideration of the Commission's Second Report and Order/Further Notice of Proposed Rulemaking in the above-referenced proceeding ("Second Report") that were filed by the National Association of Broadcasters ("NAB"), Association for Maximum Service Television, Inc. ("MSTV") and Diversified Communications, Maine Radio and Television Company, and Guy Gannett Publishing Company (collectively, "Diversified").

I. Introduction

Freedom is the parent corporation of the licensees of five full-service commercial television stations: WLNE(TV), New Bedford-Providence, Massachusetts; WRGB(TV), Albany-Schneectady-Troy, New York; WTVC(TV), Chattanooga, Tennessee; KFDM-TV, Beaumont-Port Arthur, Texas; and KTVL(TV), Medford, Oregon. Each of these stations operates in a mid-sized or small TV market.^{1/} As an experienced operator of these stations, Freedom is well-qualified to comment on the effect of the Commission's rules and

^{1/} The ADIs of each Freedom station are as follows: KTVL (149), KFDM (134), WTVC (81), WRGB (51), and WLNE (43).
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proposals for the implementation of advanced television ("ATV"). Freedom's experiences provide "real life" perspective on the general positions articulated by NAB and MSTV in their petitions for reconsideration.

Freedom supports the Commission's efforts to make ATV a reality. The television broadcasting industry has provided service to the public for half a century, and continues to provide network programming to the vast majority of all Americans.

In order to continue to provide this programming via ATV, each of the 1500 operating TV stations will have to commit to spend millions of dollars. This existing service will remain strong and viable only if a workable ATV implementation plan is adopted that takes into account the financial situations of many small and mid-sized market stations. However, Freedom fears that disastrous economic forces will overtake many stations in these markets if they are forced to comply with the Commission's proposed ATV implementation schedule.

II. A Flexible Milestone Schedule Must Be Adopted

The Commission has (i) adopted a two-year application/three-year construction period for ATV facilities, (ii) proposed that existing stations simulcast 50% of their programming in seven years, and simulcast all their programming in nine years, and (iii) proposed full ATV conversion in fifteen years.

Assuming Commission adoption of a Final Table of Allotments and an ATV system in 1993, broadcasters could be

required to apply for ATV frequencies by 1995, to fully construct new facilities within three years after grant of a CP (possibly as early as 1996 for applications filed and granted in 1993)^{2/}, to begin to simulcast in 2000, to operate in full simulcast by 2002, and to fully convert to ATV by 2008.

Each of the NAB, MSTV and Diversified has urged the Commission not to impose this type of a rigid implementation schedule at this early juncture, but rather to re-examine the need for and timing of milestones after the initial application deadline passes. Alternatively, NAB and MSTV request that the Commission adopt a staggered construction schedule that takes into account the financial straits of many mid-sized and smaller market stations.

Freedom supports the proposals of NAB, MSTV and Diversified that the Commission not at this time adopt firm construction deadlines, or at least adopt a staggered construction schedule that will allow stations in smaller markets a reasonable opportunity to compete in the ATV marketplace. Freedom also urges the Commission to adopt a flexible approach to establishing simulcast and conversion deadlines.

^{2/} The problems with a three-year construction schedule will be exacerbated if market negotiations for channel pairing are not successful and a race occurs to be the first to file for ATV channels. In that case, the five-year application/construction period could be effectively compressed to three years.

1. The Commission's Current Plans Will Adversely Affect Smaller Stations

Freedom's five stations are all located in small and mid-sized markets^{3/} and will be directly affected by the Commission's proposed implementation schedule. As the Commission is aware, television stations in mid-sized and small markets are experiencing continued reductions in revenue and profitability. As the NAB notes, many of these stations, especially those in economically depressed markets, are losing considerable amounts of money each year. The United States economy remains in a recession. Advertising revenues have plummeted. And networks are continuing to slash affiliate compensation.

The current economy, of course, is difficult on all stations. But small and medium market stations are hit particularly hard by reductions in network compensation. Although network compensation may constitute a small portion of the revenue of a station in a major market, it can amount to a significant portion of the earnings of a small or medium market station. The network compensation cuts that have been occurring therefore hurt a small or medium market station's bottom line as much as ten times more than they hurt a large market station. On top of this, the vast majority of national spot advertising is increasingly concentrated in the top 10 to 20 markets. As compensation cuts continue and national advertising dollars continue to be spent primarily in the top markets, serious questions arise about the continued ability of small and medium

^{3/} See note 1, supra.

market stations to provide local community-oriented programming (including newscasts). This issue exists apart from the financial burden that ATV implementation presents.

Despite these financial strains, small and medium market stations will bear the same ATV start-up costs as large market stations, unless provisions are made to allow these disadvantaged stations to take advantage of economies of scale that could occur through a staggered implementation of ATV. Although ATV conversion costs are unknown, some estimate that they initially could be \$11 million or more for a single station. Once production of ATV equipment hits full stride, equipment prices are bound to drop to a level that is more affordable by small market stations. By allowing small and mid-sized market stations to construct after equipment costs drop, the Commission would better facilitate the transition to ATV by these stations.^{4/}

Unless an accommodation is made for small and mid-sized market stations, stations that are struggling the most would be placed at the forefront of ATV implementation along with the largest and most profitable stations. The initial costs for converting a station to ATV will be a significant expenditure for any station, and could be the death knell for many small market stations. These costs cut right to the bottom line. Like

^{4/} In fact, the initial estimate for ATV conversion comes very close to the purchase price for Freedom's KTVL in Medford, Oregon. Yet the ability to transmit in ATV does not present any realistic short-term opportunities for additional revenue sources.

compensation cuts, these costs hit small market stations proportionately the hardest.

In addition to having to expend considerable sums, many small and mid-sized markets are located in parts of the United States that have been caught in the recession for half a decade. It is hard to imagine that the demand for new (and expensive) ATV receivers in these areas will grow until the economy recovers. And, until that occurs, there is no hope of recovering the significant investment that must be made in ATV.

On top of this, stations that serve small markets with rugged terrain (such as Freedom's KTVL in Medford, Oregon) will be hit especially hard. KTVL's signal is now transmitted on more than thirty translators in order to adequately serve southwestern Oregon. Under the Commission's current proposal, stations like this will be faced with the additional costs of converting their many translators to ATV by the conversion date. Although NTSC translators can be placed into operation for a few thousand dollars, the cost and availability of ATV translators is yet unknown. KTVL, in the 139th largest market, could be faced with converting its main station and numerous translators on the same schedule as a station in the Los Angeles market that has no need for translator facilities. This type of a schedule simply does not comport with the realities of the marketplace that KTVL faces.

2. Construction, Simulcast and Conversion
Milestones Should be Established After the
Application Deadline

Freedom does not object to the Commission adopting reasonable milestones, including the proposed two-year application period. Indeed, some type of a schedule is necessary to ensure that ATV is implemented in a suitable timeframe. The question is when that schedule should be established. Freedom simply requests that the Commission implement a transition schedule in a manner that takes into account yet unforeseen factors, and urges the Commission to establish the remaining milestones for construction, simulcast, and conversion in the future when today's variables become known.

As the Commission is aware, many aspects of ATV remain uncertain: the transmission standard to be adopted, the cost and availability of broadcast equipment, the availability of (and willingness of consumers to purchase) new receivers, and the financial burden of the power costs for simulcast operations. Yet much of the Commission's implementation schedule fails to accommodate these unknowns. Within the next two to three years, after an ATV standard is adopted, a channel pairing plan is established, and broadcasters are able to file ATV channel applications, the Commission should revisit the issue of construction and other deadlines. At that time, the Commission can address these issues while taking into account current information about ATV and the state of the broadcast industry.

III. Conclusion

The Commission's proposal requires too much too soon in the face of difficult economic times, a yet undeveloped transmission technology, and an unarticulated transmission standard. Freedom therefore urges the Commission to re-examine its plans to establish at this time any ATV milestones, beyond an initial application schedule. At the very least, stations in small and mid-sized markets (e.g., ADIs below 30) should be given some relief from the Commission's current proposal.

Respectfully submitted,

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July 10, 1992

CERTIFICATE OF SERVICE

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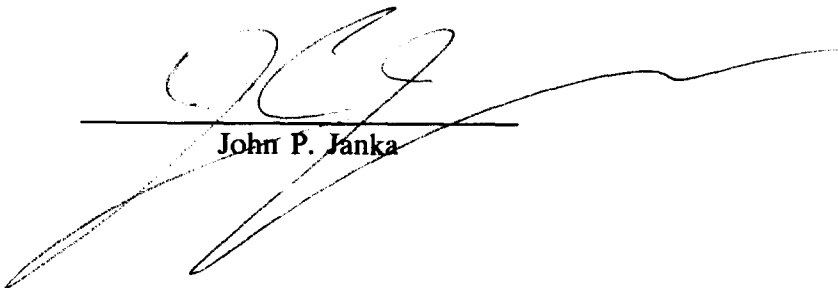
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